

**OPENING STATEMENT OF
CONGRESSMAN PAUL E. KANJORSKI
COMMITTEE ON FINANCIAL SERVICES
HEARING ON AMERICA'S INSURANCE INDUSTRY:
KEEPING THE PROMISE
WEDNESDAY, SEPTEMBER 26, 2001**

Mr. Chairman, because I serve as the Ranking Democratic Member on the Subcommittee on Capital Markets, which has jurisdiction over securities and insurance matters, I have a great interest in today's hearing to examine the consequences to our nation's financial services system of the September 11 attacks on the World Trade Center and the Pentagon. In my view, our country cannot -- and shall not -- allow terrorists to alter the effective functioning of the U.S. securities and insurance markets, the strongest in the world.

Our hearing today will consist of two panels. With our first panel, we will discuss the current state of our nation's capital markets and the efforts of the Securities and Exchange Commission to facilitate the reopening of our exchanges. While our fixed income markets successfully resumed trading just two days after the terrorist attack, our equities and options exchanges experienced the longest shutdown since World War I. Nevertheless, the successful reopening of the stock markets last week and their subsequent rebound this week have demonstrated for everyone the resiliency and strength of our nation's financial system.

Our second panel will focus on the state of the insurance industry. Some experts have noted that the September 11 disaster resulted in a "clash" event. That is, the insurance industry incurred multiple losses in different lines of coverage arising from the same underlying cause. Clash events are riskier for insurers as they give rise to claims from a variety of different customers under different types of policies, in a scenario outside of normal assessments for aggregate exposures. Our second panel will help us to understand the magnitude of this clash event and its effects on the marketplace.

Without question, the assaults of September 11 represent the costliest disaster in American history. Estimates of the insured losses from these attacks presently range from \$20 billion to more than \$70 billion. The U.S. insurance industry is, however, a large and dynamic marketplace, accounting for 2.4 percent of our country's gross domestic product. Additionally, according to some analysts, the property-casualty insurance sector already has approximately \$300 billion available to respond to this increased demand for claims. Moreover, at this time there are no indications that any major U.S. insurer is at risk of failing.

In the fifteen days since the attack on the World Trade Center, we have also received numerous assurances that the insurance industry will rise to meet this occasion and pay their claims. Many have also assured us that they will not attempt to invoke the acts-of-war exclusions contained in their policies. These public pledges by industry leaders are promising. I therefore hope and expect that the entire insurance marketplace will work in good faith and with due diligence to honor its obligations. In the long run, the American insurance industry will prosper if it follows this course.

(more)

Mr. Chairman, I am also pleased that we worked together to invite a balanced set of witnesses to today's hearing. As a result, regulators, insurers, reinsurers, and industry analysts will all have an opportunity to inform us about their concerns. Each witness will provide us with a valuable perspective in understanding the health of the financial services industry and the need for any changes in public policy in the wake of the September 11 disaster.

In recent days, I have heard and read about a variety of proposals to assist the insurance and securities industries in their efforts to respond to the collapse of the World Trade Center. From my perspective, we must move cautiously and methodically when considering any legislative proposal to assist these important sectors of our economy. These industries are complex and could experience unintended consequences if we move too hastily. To the extent possible, we must also consider allowing market discipline to respond to these events without government intervention.

Nevertheless, Mr. Chairman, we may ultimately determine that we need to provide the insurance industry with some flexibility in terms of meeting its capital requirements, increasing its liquidity, or providing terrorism reinsurance coverage. We may also need to take steps to modify our nation's securities laws with respect to money laundering. If we decide to continue to pursue any legislative reforms of the securities and insurance industries during the 107th Congress, I hope that we will follow a prudent course and continue to act on a bipartisan basis.

Mr. Chairman, thank you again for the opportunity to comment on these matters. I yield back the balance of my time.
